



September 29, 2022

Robert Neblett
Jackson Walker, LLP

Via email rneblett@jw.com

Re: Status of Texas Central's proposed project

Robert:

As you know, our law firm represents landowners who will be directly impacted by Texas Central's proposed project (the "Project") were it ever to be built. You requested a current list of our clients. Attached is that list. You also requested, for the sake of efficiency, a list of common questions our clients and other impacted landowners have concerning the status of the Project. Before I provide that list, I want to share our view of the current state of affairs.

All facts indicate Texas Central is no longer pursuing construction of the Project.

A few months ago, Carlos Aguilar [announced](#) his resignation as Texas Central's CEO, lamenting that he "could not align our current stakeholders on a common vision for a path forward." His biography has been missing from Texas Central's website for nearly six months and no executive team members are currently listed on the [website](#). In addition, Texas Central's entire board of directors [was recently disbanded](#).

Former Chairman Richard Lawless said Texas Central is now being managed by [Michael Bui](#), a senior managing director at FTI Consulting who advises clients through distress events and corporate restructurings. Another FTI Consulting senior managing director, [Tom Becker](#), recently made a [public statement](#) on Texas Central's behalf. According to his bio, Mr. Becker supports clients through sensitive and critical matters, including litigation and civil and criminal investigations. It is unclear what Mr. Becker's role is at Texas Central, if any.

According to other reports, the Project has [entered](#) "a hibernation phase in search of financing." This is unsurprising given the dire financial straits Texas Central appears to be navigating. Until July 2022, Texas Central remained delinquent on its 2021 property taxes in Dallas, Harris, Navarro, Limestone, Freestone, Leon, Madison, and Grimes Counties. And it has yet to pay the 2021 property taxes it owes in Ellis County. Texas Central remains delinquent on its HOA dues on a number of its properties in Grimes, Waller, and Harris Counties. [Liens](#) against Texas Central for non-payment of HOA dues are currently on file in Harris County.

Additional facts further demonstrate that Texas Central is no longer pursuing construction of the Project. Texas Central recently sold a number of impacted properties (or portions of properties) that it previously represented it must possess in order to construct the Project. [The toll-](#)

[free hotline](#) (1-844-TX-TRAIN) formerly reserved for landowner inquiries has been disconnected for months. Texas Central hasn't answered its main office number for months either. [Delinquency notices](#) sent to the address listed for Texas Central in the [Secretary of State records](#) are being returned undeliverable. The Dallas office address listed on [Texas Central's website](#)—1400 Botham Jean Blvd—is the address for the [Dallas Police Department](#). Texas Central's Houston office located at 1021 Main St, Suite 1570 is currently [listed for lease](#). These are not signs of a company moving forward with plans to construct a \$30+ billion, 240-mile-long, first-of-its-kind, high-speed rail line. These are signs of a company circling the drain.

Texas Central will never be able to raise the \$30+ billion it needs to construct the Project.

In April 2020, former Chairman Drayton McLane [admitted](#) the Project will cost at least \$30 billion to construct. Given the passage of over two years, supply chain issues, rising construction costs, and inflation, among other factors, this estimate has undoubtedly increased substantially. Whatever the ultimate total cost may be, there are only four potential funding sources at Texas Central's disposal: (1) private investment; (2) Texas Central's Japanese partners; (3) the federal government; and (4) the State of Texas. Each of these potential sources is a dead end.

First, history has proven Texas Central to be utterly incapable of attracting private investment in the Project. Back in 2015, when Texas Central was fighting public disclosure of one of its bogus ridership studies, it [told](#) the Texas Attorney General that “[w]ithin the next six months,” it anticipated “finishing its current round of funding and seeking additional funding from private sources.” Because funding of the Project, according to Texas Central, was “imminent,” it feared public disclosure of its ridership study “would jeopardize [its] ability to obtain funding” due to the “sensitivity of investors during the funding process.” That was seven years ago. Texas Central was never forced to disclose any of its ridership studies, but it never raised any private investment either. As multiple independent transportation infrastructure experts have concluded, the Project simply is not investment grade. And that's precisely why Texas Central will never be able to raise the necessary funding through private investment.

Second, at least three credible sources have confirmed that Texas Central's Japanese partners sent Texas Central a letter stating they will no longer fund efforts to pursue construction of the Project. We believe these Japanese partners are the “current stakeholders” whom Carlos Aguilar referred to in his resignation post. If our sources are mistaken, Texas Central need only provide proof that its Japanese partners remain on board. But given Aguilar's statement and the fact that Texas Central has already flushed hundreds of millions of their dollars down the drain, we believe Texas Central's Japanese partners have turned the faucet off for good.

As for the federal government, that ship has sailed. Now that the federal infrastructure bill is law, Texas Central is ineligible for *any* high-speed or passenger rail funds in the bill, as those funds are reserved exclusively for public projects. And although Texas Central has stated an interest in the Department of Transportation's Railroad Rehabilitation & Improvement Financing (RRIF) loan program, Congress has limited the total amount of RRIF loans to \$35 billion. The largest RRIF loan given out to date was \$2.45 billion, which would account for merely 8% of the \$30+ billion Texas Central needs to construct the Project. Texas Central has not even started the process of applying for an RRIF loan and, in any event, would be ineligible to receive any such

loan unless it could meet the Buy America requirements enacted to promote U.S. economic development. Because Texas Central chose to use Central Japan Railway Company's Shinkansen technology for the Project, it cannot satisfy these Buy America requirements.

Finally, in 2017 the Texas Legislature wisely enacted [a law](#), which remains in effect today, prohibiting *any* state money from going to the Project. As discussed during the hearings leading to the passage of this law, Texas does not want to suffer through a repeat of the ongoing high-speed rail disaster in California.

Given these facts, to even suggest that Texas Central will be able to raise the \$30+ billion it needs to construct the Project is pure fantasy. If Texas Central believes otherwise, it need only identify any source from which it intends to obtain funding, how much funding it intends to obtain from any such source, and when it expects to obtain such funding.

Texas Central has refused to apply for a construction permit.

On July 16, 2020, the Surface Transportation Board [denied](#) Texas Central's petition to be exempted from the full application process required of new railroads seeking permission to construct. In its decision, the Board made clear that Texas Central cannot begin *any* construction unless and until the Board approves its permit application. As such, the first step Texas Central *must* take if it intends to construct the Project is to apply for a construction permit. In verified pleadings, Texas Central [admitted](#) as much: "Texas Central, of course, will not begin construction of its proposed rail line without Board approval."

Well over two years have passed and Texas Central has yet to file its application for a construction permit. If it were to ever do so, Texas Central would have to [disclose](#) how it intends to finance the Project and the amount of funds for financing presently available, along with a recent balance sheet and income statement. We believe Texas Central has not filed, nor will it ever file, an application for a construction permit for two reasons: (1) Texas Central does not want to make these required financial disclosures; and (2) it knows that if it did make these disclosures its application would be summarily denied.

Texas Central's stubborn refusal to file an application for a construction permit after being explicitly instructed by the Board to do so *over two years ago* leads us to the only plausible conclusion: it has no intention of ever doing so because it no longer has any intention of constructing the Project.

To prevent further harm to impacted landowners, Texas Central must publicly state that the Project is over.

We aren't the only ones who have put the pieces together and see the writing on the wall. Multiple media outlets, including the [Dallas Morning News](#), [Houston Chronicle](#), [Texas Tribune](#), [Railway Age](#), and [Texas & Louisiana Engineering News-Record](#), among others, have reached the same conclusion: the Project is over. Yet, Texas Central continues to claim, using more or less the same empty wording, that it ["is moving forward with the development of this high-speed train."](#)

With no leadership, no money, no permit to construct, and now, apparently, no offices, these baseless claims will no longer suffice.

Granted, Texas Central appears to be doing things. But none of the things Texas Central is now doing suggest in any manner whatsoever that it does, in fact, intend to construct the Project. Yet, our clients and other impacted landowners who might wish to sell or refinance their property must first disclose that their property will be impacted by the Project were it to be built. This stigmatizes and depresses the value of their property. It interferes with landowners' rights to freely use and enjoy their property. It harms impacted landowners, plain and simple.

Our clients and all other impacted landowners have suffered long enough. They deserve to be able to move on with their lives without Texas Central or the Project hanging over their heads. They must be allowed once again to do with their property as they please, without interference from Texas Central. We will not allow Texas Central to hold landowners hostage any longer.

If Texas Central will not declare that it no longer intends to construct the Project, it must answer questions regarding its current plans and intentions.

Per your request, below is a list of common questions our clients and other impacted landowners keep asking us. If Texas Central truly has any intention of constructing the Project, it owes landowners answers to these questions:

1. If Texas Central intends to construct the Project, by when does it expect to begin construction? And by when does it expect operations to commence?
2. If Texas Central intends to construct the Project, from what source(s) will it obtain the necessary funding? And by when does it expect to obtain the necessary funding?
3. How much funding is presently available to Texas Central for construction of the Project?
4. If Texas Central intends to construct the Project, how does it intend to acquire the remaining property it needs along the Project's proposed route?
5. Does Texas Central intend to use its recently-granted eminent domain authority to condemn property along the Project's proposed route? If so, by when does Texas Central intend to begin condemnation proceedings?
6. Is Texas Central going to file an application for a construction permit with the Surface Transportation Board? If so, by when will it file its application?
7. Did Texas Central's Japanese partners notify Texas Central that they will no longer fund the Project?
8. Who are the "current stakeholders" referenced by Carlos Aguilar in his resignation post?

9. Does Texas Central currently have a Board of Directors? If so, who are they and when did they each become Board Members?
10. Does Texas Central currently have any executive leadership? If so, who are its executives and what are their respective positions?
11. Who is currently running Texas Central? Michael Bui? Tom Becker?
12. Is Texas Central presently attempting to obtain any grants, funds, financing, or loans from the federal government? If so, what is the current status of any such attempts?
13. Has Texas Central defaulted on its \$300 million loan from the Japan Bank of International Cooperation's special purpose vehicle, Japan Texas High-Speed Railway Cayman, LP?
14. If Texas Central defaults on its loan, what is going to happen to the property it purchased from landowners through option contracts? Will landowners be allowed to purchase their property back at the price Texas Central paid for it?
15. If Texas Central does not construct the Project, what is going to happen to the property it purchased from landowners through option contracts? Will landowners be allowed to purchase their property back at the price Texas Central paid for it?
16. Why is Texas Central selling properties it previously represented it must possess in order to construct the Project?
17. Why is Texas Central delinquent on its homeowners' association dues? Does it plan on paying them? If so, by when?
18. When subdividing property, why is Texas Central not following county regulations to get plat exemptions?
19. Why is mail being sent to Texas Central's Dallas office being returned undeliverable? Why is Texas Central's Houston office available for lease?
20. Who should unrepresented landowners contact with questions about the Project or issues concerning their property?

Notice of intent to seek Rule 202 deposition to investigate claims.

If Texas Central is unwilling to publicly state that it no longer intends to construct the Project or, alternatively, provide full and complete answers to the questions above, we intend to file a Rule 202 petition to investigate potential claims against Texas Central. The record upon which the Texas Supreme Court recently granted Texas Central eminent domain authority was restricted to August 2018. Four years have passed, and in those four years new facts have developed, many of which are set forth in this letter. These new facts demonstrate that Texas Central no longer has any intention of constructing the Project. We do not intend to relitigate the

eminent domain issues the Texas Supreme Court recently decided. Rather, we intend to investigate, based on the facts and circumstances *as they exist today*, whether Texas Central is, in fact, planning to construct and operate an interurban electric railway. We will not let Texas Central sit back, stay silent, and do nothing in furtherance of construction of the Project while our clients and other impacted landowners continue to suffer.

Sincerely,

/s/ Patrick McShan

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Ellis County	Grimes County	Harris County
Minta Phillips	Craig Cooper	Story Lindsey Family LP
Ronny Caldwell	David Miseldine	Marsha Smith and Joyce Perkins
David Risinger	Billy and Brenda Wells	Calvin House
Charles Hodge	Elise Wells	Maria Castro (VEC LP)
John and Wanda Sullivan	Allen and Becky Morris	W.L. Bane
William Ward	Carol Garnett	David Seaman
Chuck McCormack	Darrell Bushman	Lavon and Lance Thomas
Bob Beakley	John Zitkus	Mary Snow
Brad Beakley	Ronnie Floyd	Mike and Cindy Green
Becky Scasta	George Finch	Judith Evans
Kelly Cruzan	Frank Seber	Tom Neal (TDTAN)
F&N Partners	Kim and Bryce Smith	Michael McRae
Kay Lynn Kovar	Johnny Mancuso	
Bess Johnson	Christine Crawford	
Doug Taylor	James Cox	
Gary Worthy	Walter Truett	
Clayton Gorn		
Richard Spaniel		
Freestone County	Limestone County	Leon County
Gary Stevenson	Logan Wilson	Jim Miles
Tony Miller	Francelle Bettinger	Brian Winter
Rita Lenoir	Sara Simms	Larry Selman

Nick Roppolo	Charles Carr	Charles Durbin
Joe Alderman	Bill Crider	Jon Cogdill
Lawrence Davis		Wayne Reed
		Paula and Gary Dossett
		Carolyn Lummus
		Alan and Lisa Johnson
		Hilda Cave
		Lyndall Leathers
		Robert Martin
		Ben and Betty Frank
		Carolyn Pettey
		Birdene Perry
Waller County	Madison County	Navarro County
Dan Hablinski	Herman Poteet	Clinton Chastain
Ralph Lee Burton	George and Sally Jaster	Dwayne Grounds
Donovan Maretick	Matt Schiel	Brian Phillips
Lawrence Falk	Robert Fannin	Robert/James Page
Shirley Benfer	Perry Mizell	Nelda Carter
Stephanie Cervantes	Ray Lee Reding	Lewis Tidwell
	Gene Whitesides	Brandon/Amy Nicholson
		Luann Brown